



SUPPLEMENTAL

COUNCIL AGENDA: 3-14-06

ITEM: 7.1

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: John Stufflebean

SUBJECT: SEE BELOW

DATE: 3-10-06

Approved

Date 3/10/06

SUPPLEMENTAL

Citywide

**SUBJECT: APPROVE THE TRANSFER OF ONE MILLION GALLONS OF
TREATMENT PLANT CAPACITY FROM WEST VALLEY
SANITATION DISTRICT TO THE CITY OF MILPITAS**

REASON FOR SUPPLEMENTAL

At its March 7, 2006 public meeting the Council deferred the item above for one more week and directed staff to return with additional information regarding any potential impact this transaction could have on land development within the City of San Jose. This supplemental memorandum will describe the development impact issues that were considered in making this recommendation.

DISCUSSION

The San Jose/Santa Clara Water Pollution Control Plant is co-owned by the Cities of San Jose and Santa Clara and operated by San Jose staff under agreements with Tributary agencies who are members of the Treatment Plant Advisory Committee (TPAC). The total operational processing design capacity of the Plant is 167 million gallons per day (mgd). The San Jose/Santa Clara contract with the Tributary Agencies establish their capacity rights in the Plant. The present treatment capacities of Milpitas (12.5 mgd) and West Valley Sanitation District (13.052 mgd) were fixed in 1983 when the Plant was expanded to its present capacity. The total capacity assigned to all Tributary Agencies under the San Jose/Santa Clara contracts is 34.542 mgd. San Jose and Santa Clara share the remaining 132.098 mgd, under a formula that is based on their respective assessed property values, as specified in their original 1959 joint powers. San Jose and Santa Clara rent a very small amount of their shared capacity to County Sanitation District 2-3 (04-05 rental allocation to CSD 2-3 was 1.574 mgd.)

The agreements with the Tributary Agencies establish a procedure for dealing with transfers of "excess pooled capacity" from one party to another. On January 11, 2006 the Board of Directors

of the West Valley Sanitation District voted to designate one million gallons of the District's capacity as excess pooled capacity, signaling its desire sell one million gallons of its capacity to one or more of the other parties. On January 17, 2006, the Milpitas City Council approved the purchase of the full one mgd at the \$6,989,992 price established by West Valley.

Under the Master Agreements, if more than one party wants to purchase designated excess pooled capacity, TPAC is authorized to allocate the available capacity among the requesting parties "in a manner to most closely achieve the same planning horizon for both parties." San Jose staff is recommending against any San Jose purchase of the available West Valley capacity.

San Jose's 2005 allocated capacity was 108.896 mgd, while its 2005 Peak Week Flow was only 76.120mgd. All of these numbers are based on the 167 mgd design capacity of the Plant. Staff, having reviewed the land development projected over the next several years determined that San Jose should have sufficient capacity for fifteen to twenty years. Milpitas has advised Staff that it believes that it may exceed its current available capacity within ten to fifteen years.

The other critical analysis that went into bringing the recommendation to approve the transfer forward was evaluating the scenario in which a regulatory agency could impose a flow cap significantly below the Plant's design capacity. A cap of 120mgd was threatened in the early 1990s, but has not been an issue for several years. The City worked with the Regional Water Quality Control Board to substitute programmatic action plans in-lieu of the threatened flow cap. These plans implemented many water conservation efforts, as well as major water recycling project within the tributary area. Staff does not believe that another flow cap is likely. Flows have been down for various reasons including the change in the customer base from water intensive uses such as canneries and manufacturing to research and development, as well as water conservation efforts in general.

An analysis was conducted using the 120mgd peak flow threatened by the Regional Board in the early 1990s as an example. In that situation the Tributary Agency agreements state that, "Any changes in Plant capacity which either increase or decrease the capacity of the Plant, resulting from any means whatsoever, shall be proportioned to each agency including San Jose and Santa Clara, in accordance with [the then existing capacity allocations of the parties.]".

A 120 MGD flow cap would represent a 28.14% reduction of total capacity from 167mgd, with the following impact on Milpitas and San Jose:

- Milpitas would be reduced to 8.98mgd without this transfer; with it the number would be 9.7mgd. The 2005 Peak Week flow for Milpitas was 9.358mgd.
- San Jose capacity would be reduced from 108.896mgd to 78.24mgd without the transfer. San Jose's 2005 Peak Week flow was 76.120.

Again, Staff feels the risk of a flow cap is low. At its February 9, 2006 meeting, TPAC unanimously approved recommending that the San Jose City Council approve the transfer of

3-14-06

Subject: Transfer of One Million Gallons of WPCP Capacity from WV Sanitation to the City of Milpitas

Page 3

capacity from West Valley Sanitation District to the City of Milpitas.



JOHN STUFLEBEAN

Director, Environmental Services

RECEIVED
CITY OF MILPITAS
MAY 10 2006